



The United States Congress should regularly review its trade policy with China for a multitude of reasons. China has a huge balance of trade deficit with the United States, and that deficit is growing exponentially. China already has the third largest economy in the world; according to the International Monetary Fund, it may have the largest by as early as 2007. Early in the next century its economy will dwarf the United States' economy. Simply on the basis of size alone trade with this huge and growing world power should be subject to close, regular scrutiny.

Senators should also be concerned about trade with China because it remains under the control of communists. As our colleagues are well aware, China, despite its huge growth since 1989, has not pursued extensive reforms. In 1989, it was ruled by a poor, weak, violent, communist regime that threatened its neighbors and brutalized its own citizens. Times have changed--China is now ruled by a rich, strong, violent communist regime that threatens its neighbors and brutalizes its own citizens. The supposed trend toward democracy and peacefulness that our colleagues have been saying for a decade would accompany the economic growth that came from trade with the United States has not occurred. Is it really true that a country can have private enterprise and a strong economy, and still not be democratic and peaceful? Were the Nazis flower children? Our colleagues are still insisting that a wide-open policy of "engagement" with China will eventually work. We still think they are making a dangerous gamble.

China is using the money it gains from trade for capital investments. It is building a huge industrial base as the remaining shards of the United States' once mighty industrial base are being swept away. China has not opened its markets--it makes trade deals with the United States, but it then takes back with one hand what it gave with the other. For instance, it has agreed that it will not export products produced with prison slave labor, but lately it has refused to allow the United States to investigate sites where slave labor products are reportedly being produced.

Other countries are not so foolish as the United States, and they consequently do not have the huge trade deficits that the United States has with China. They negotiate deals that ensure they still get some share of the production. They understand that what is important in international trade is production and market share. The United States is just selling away its jobs to China in order to get low prices on consumer goods now. In a few years, it will produce nothing and have no money left to buy anything. It will be a former world power along the lines of Great Britain.

Will the WTO say that the United States having an annual review of its China trade policy violates WTO rules? Maybe, but so what? It can say whatever it wants, but it cannot tell us that we cannot exercise our constitutional responsibility to regulate trade. Further, how exactly would it disadvantage China to have that review? Nothing would come of it unless the United States decided that China should no longer have most-favored-nation status or should in some other way get less favorable trade treatment. The tit-for-tat response would be for China to examine its United States trade policy. Let it--we are not telling it that it cannot exercise its sovereignty. Frankly, our colleagues are vastly overstating the club that China would have over the United States. If China tried to retaliate by closing its nearly shut market to the United States, the United States could close its wide-open market to it and would save the trade losses (\$72 billion this year) it is incurring with China. In essence, China's threat to the United States would be that if the United States dared to continue reviewing its trade policy with China then China might quit taking money from the United States. Go ahead, China, we dare you. The Hollings amendment would allow China to join the WTO along the terms negotiated, but it would require continued vigilance to make sure it did not backslide. We urge our colleagues to support this prudent amendment.

**Those opposing the amendment contended:**

The Hollings amendment ignores reality by arguing for continued annual reviews of China's trade status at the same time as it favors China's accession to the WTO. If China joins the WTO then the United States will be prohibited from subjecting it to discriminatory treatment. The United States does not subject other WTO members to annual reviews of their trade status, so it could not subject China to such reviews without being penalized. To avoid penalties, the United States could invoke Article XIII to exempt the application of WTO trade rules to United States-China trade, but the result would be the same. In one case, the WTO would punish the United States by denying it the negotiated trade benefits with China, and in the other case the United States would beat the WTO to the punch by denying itself those benefits before any questions arose. The United States negotiated an excellent bilateral agreement with China that will lower tariffs on a variety of goods and services, including agricultural goods. The agreement also contains provisions to protect domestic producers from being wiped out by a flood of cheap Chinese imports. The agreement is very one-sided. Under the Hollings amendment, the United States would not get any of the benefits from that agreement, but every other WTO member would under trade non-discrimination rules. Further, the United States would be denied all of the other benefits that have been agreed to in other countries' bilateral negotiations with China, and it would be denied all of the benefits that are being negotiated under the general accession procedures. In short, the Hollings amendment would result in trade barriers being torn down between China and all of the developed world except for the United States. This amendment is isolationist and would be disastrous. The United States would be left behind as the world economy moved ahead. We therefore strongly oppose this amendment.